

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**SB 123 - HB 181**

March 17, 2021

**SUMMARY OF BILL:** Enacts the Annual Coverage Assessment Act of 2021, which establishes an annual coverage assessment on hospitals of 4.87 percent of a covered hospital's annual coverage assessment base.

**ESTIMATED FISCAL IMPACT:**

**Increase State Revenue - \$603,438,100/FY21-22/  
Maintenance Coverage Trust Fund**

**Increase State Expenditures - \$603,438,100/FY21-22/  
Maintenance Coverage Trust Fund**

**Increase Federal Expenditures - \$1,186,913,900/FY21-22/  
Maintenance Coverage Trust Fund**

**The Governor's proposed budget for FY21-22, on page A-34, recognized revenue in the amount of \$602,636,800. Corresponding non-recurring appropriations in the amount of \$1,770,743,400 (\$602,636,800 in state funds and \$1,168,106,600 in federal matching funds) are also included.**

Assumptions:

- Based on information provided by the Division of TennCare (Division), the 4.87 percent annual coverage assessment on hospital net revenues (as reported to Centers for Medicaid Services) will result in an increase in revenue to the Maintenance of Coverage Trust Fund (MCTF) of \$603,438,146.
- It is estimated \$603,438,146 will be expended at a state rate of approximately 33.705 percent and will receive federal matching funds at a rate estimated to be 66.295 percent. The resulting increase in federal funds will be approximately \$1,186,913,867 [(\$603,438,146 x 66.295%) / 33.705%].
- The total increase to the MCTF is approximately \$1,790,352,013 (\$603,438,146 state + \$1,186,913,867 federal).

**IMPACT TO COMMERCE:**

**Increase Business Revenue - \$1,790,352,000/FY21-22**

**Increase Business Expenditures – Less than \$1,790,352,000/FY21-22**

**Jobs Impact – Not Significant**

Assumptions:

- Hospital providers will incur an increase in federal revenue in FY21-22 to cover costs of services provided.
- Hospital providers will incur an increase in expenditures in FY21-22 for funding the state portion of the Act.
- The proposed legislation will not increase the number of hospital providers. It merely deals with the way providers are reimbursed; therefore, any impact to jobs in Tennessee is estimated to be not significant.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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